

- (3) De minimis exception.
- (4) Alternative minimum tax.
- (5) Effective date.
- (c) Operation of the look-back method.
 - (i) Overview.
 - (i) In general.
 - (ii) Post-completion revenue and expenses.
 - (A) In general.
 - (B) Completion.
 - (C) Discounting of contract price and contract cost adjustments subsequent to completion; election not to discount.
 - (f) General rule.
 - (2) Election not to discount.
 - (3) Year-end discounting convention.
 - (D) Revenue acceleration rule.
 - (2) Look-back Step One.
 - (i) Hypothetical reallocation of income among prior tax years.
 - (ii) Treatment of estimated future costs in year of completion.
 - (iii) Interim reestimates not considered.
 - (iv) Tax years in which income is affected.
 - (v) Costs incurred prior to contract execution; 10-percent method.
 - (A) General rule.
 - (B) Example.
 - (vi) Amount treated as contract price.
 - (A) General rule.
 - (B) Contingencies.
 - (C) Change orders.
 - (3) Look-back Step Two: Computation of hypothetical overpayment or underpayment of tax.
 - (i) In general.
 - (ii) Redetermination of tax liability.
 - (iii) Hypothetical underpayment or overpayment.
 - (iv) Cumulative determination of tax liability.
 - (v) Years affected by look-back only.
 - (vi) Definition of tax liability.
 - (4) Look-back Step Three: Calculation of interest on underpayment or overpayment.
 - (i) In general.
 - (ii) Changes in the amount of a loss or credit carryback or carryover.
 - (iii) Changes in the amount of tax liability that generated a subsequent refund.
 - (iv) Additional interest due on interest only after tax liability due.
 - (d) Simplified marginal impact method.
 - (1) Introduction.
 - (2) Operation.
 - (i) In general.
 - (ii) Applicable tax rate.
 - (iii) Overpayment ceiling.
 - (iv) Example.
 - (3) Anti-abuse rule.
 - (4) Application.
 - (i) Required use by certain pass-through entities.
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 - (D) Domestic contracts.
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- (2) Portion of contract income sourced.
- (E) Application to foreign contracts.
- (F) Effective date.
 - (ii) Elective use.
 - (A) General rule.
 - (B) Election requirements.
 - (C) Consolidated group consistency rule.
 - (e) Delayed reapplication method.
 - (1) In general.
 - (2) Time and manner of making election.
 - (3) Examples.
 - (f) Look-back reporting.
 - (1) Procedure.
 - (2) Treatment of interest on return.
 - (i) General rule.
 - (ii) Timing of look-back interest.
 - (g) Mid-contract change in taxpayer. [Reserved]
 - (h) Examples.
 - (1) Overview.
 - (2) Step One.
 - (3) Step Two.
 - (4) Post-completion adjustments.
 - (5) Alternative minimum tax.
 - (6) Credit carryovers.
 - (7) Net operating losses.
 - (8) Alternative minimum tax credit.
 - (9) Period for interest.
 - (i) [Reserved].
 - (j) Election not to apply look-back method in de minimis cases.

§ 1.460-7 Exempt long-term contracts.
[Reserved]

§ 1.460-8 Changes in method of accounting.
[Reserved]

[T.D. 9315, 55 FR 41670, Oct. 15, 1990, as amended by T.D. 8597, 60 FR 36683, July 18, 1995; T.D. 8756, 63 FR 1918, Jan. 13, 1998; T.D. 8775, 63 FR 36181, July 2, 1998]

§ 1.460-1 Accounting for long-term contracts in general. [Reserved]

§ 1.460-2 Definition of long-term contract. [Reserved]

§ 1.460-3 Percentage of completion method. [Reserved]

§ 1.460-4 Methods of accounting for long-term contracts.

- (a)-(i) [Reserved]
- (j) *Consolidated groups and controlled groups*—(1) *Intercompany transactions*—
 - (i) *In general.* Section 1.1502-13 does not apply to the income, gain, deduction, or loss from an intercompany transaction between members of a consolidated group, and section 267(f) does not apply to these items from an intercompany sale between members of a controlled group, to the extent—